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what by a writer who gained his knowledge from an acquaintance with actual agricultural conditions instead of from his imagination or the imaginative writings of others.

W. H.

The Theory of Prosperity. By SIMON N. PATTEN. New York: The Macmillan Company, 1902. 8vo. pp. ix+237.

The Theory of Prosperity may be regarded as a fusion of the economic philosophy which the author summarized in his *Dynamic Economics* with the results of the studies in social psychology presented in *The Theory of Social Forces* and *The Development of English Thought.* But such a characterization is only partly true. Professor Patten has a well earned reputation for originality, which his latest work will not diminish. In fact, there is an element of unexpectedness in Professor Patten's developments of his own theories which adds to the interest of any new work coming from his hand.

The two general divisions of the book treat of "Income as Determined by Existing Conditions," and "Income as Determined by Heredity." "Economic forces rise out of existing conditions and exert an influence on the present race of men. Past environments influence through heredity, morals and traditions." It is the first of these two general divisions which is of greater interest to the economist. Professor Patten believes that the traditional classification of income as wages, rent, and profits has outlived its usefulness, since the recipients of these three forms of income no longer constitute distinct social classes. "These shares, instead of being distinct funds, are the bases of three viewpoints from which income may be regarded." Accordingly, the three chapters forming the first division of the book are entitled "Work and Pay," "Monopoly Advantage," and "Investments." In the first chapter are presented the ideas of cost, sacrifice, expense, producer's surplus, consumer's surplus, utility, and value with which readers of Professor Patten's earlier works are familiar. New emphasis, however, is given to the idea that production and consumption cannot be balanced against each other and measured in terms of pleasure and pain. The effort of production is not necessarily, nor even normally, painful. Consumption should give a surplus of energy to be used in production. A painless and perpetual round of "production, consumption, rest, revival of energy, and renewed production" is thus possible. Pain arises only when the working day is

extended beyond the normal, or when surplus energy is wasted. Labor is thought to be disagreeable only because of historical associations of servility. Many readers, however, will place an interrogation point after the statement that "it is not correct to count the social penalties imposed on workers among costs." Having endeavored to show that costs have little to do with fixing the rate of wages, Professor Patten develops a new theory of wages, based on the option which the best laborers in each group have of remaining where they are or entering another group. "The movement from industry to industry that holds up the rate of wages is among the strong of each group." Although his particular conclusions may not find ready acceptance, there can be no doubt that Professor Patten has rendered a service in emphasizing the looseness with which the pleasure and pain formula, as ordinarily used, fits the facts of economic life.

In the chapter on "Monopoly Advantage" Professor Patten takes exception to the idea that marginal cost has anything to do with price. Approaching the subject, characteristically, from the side of consumption, he finds that rising prices are limited by the consumers' power of substitution.

> Any upward movement in the price of a particular good is met by the shifting of the consumption to other goods supplying the same want, or by the development of new wants demanding other goods for their satisfaction. . . . . If the consumer has no power of substitution, prices will be kept high, no matter how low costs are, and they will move up until the power of substitution becomes effective.

The argument here is constructed with entire disregard of the general belief that competition among producers keeps prices at the point of marginal cost. It is difficult to see that the consumer's power of substitution is a necessary condition of a low ratio of price to cost except in the case of a tacit or formal agreement among producers amounting to a virtual monopoly, and with monopoly in the strict sense Professor Patten does not concern himself. In the consumer Professor Patten finds also the ultimate cause of rising prices. The growth of new wants, resulting in an increased variety of consumption, raises the margin of consumption, and hence "upward movements [in price] come through the increased intensity of particular wants." It is hardly necessary to point out that value and price are confused in this argument. Rising subjective values have no necessary connection with rising prices.

Professor Patten is not always consistent in his use of the term

"monopoly advantage." Frequently he seems to mean by it every kind of economic advantage. More especially, however, he has in mind those advantages which enable producers to acquire shares of the "monopoly fund"—a fund comprising the total wealth produced over and above the amount necessary to repay marginal costs and to provide for differential gains. The monopoly power which determines the distribution of this fund among individual producers is determined by the producer's ability to limit the supply. The "monopoly fund" is of definite amount. "The growth of one monopoly is always at the expense of other monopolies, never at the expense of the public." The significant thing about the discussion, however, is that the emphasis is shifted from a commodity unit to a consumption unit. The various goods supplying a particular want are grouped together, and the article with the greatest cost of production furnishes the "price-determining unit of supply." The group of producers that control the commodities which supply a single want—commodities that can be more or less completely substituted for each other—constitute a monopoly. It would seem to follow logically that the maker of tallow candles is a sharer in the oil monopoly. Probably very few readers will find the treatment of monopoly entirely satisfactory, although the concept of a consumption unit has the marks of serviceability.

The chapter on "Investments" is mainly devoted to the presentation of a new theory of interest and to the criticism of a leading thesis of Professor J. B. Clark's *Distribution of Wealth*. Böhm-Bawerk's theory of interest is dismissed as resting solely on the hypothesis of "race differences" which cause unequal estimates of the relative value of present and future goods. Assuming that the productivity theory explains how interest *can* be paid, Professor Patten seeks for an explanation of why interest *is* paid. The answer is found in the theory that additional quantities of goods are valued more highly, per unit, than goods already possessed. The law of the satiation of wants is interpreted as applying only in the case of an increasing supply of some one particular article. An increased variety of goods, it is said, will make possible the use in better combinations of those already possessed. Hence, men are willing to pay a premium on additional goods. This premium is interest. This theory certainly has the merit of originality, but it seems to relate only to loan interest, and to be without significance so far as the vital problem of the difference between present and future values is concerned. Of greater interest is the criticism of Professor Clark's theory that the total income of society, under static con-

ditions, is resolvable into wages and interest. Professor Patten's view is that with capital must be contrasted, not labor, but labor force, "using the latter term in so broad a sense that it will include every natural or human agency making capital productive." With labor must be contrasted, not capital goods alone, but "all valuable objects that aid labor." There is a resulting income which is neither wages nor interest, but is either rent or profits, depending upon the point of view. The real gist of the argument cannot be summarized here, but the analysis is admirable and shows Professor Patten at his best.

Professor Patten has given to the part of his work dealing with "Income as Determined by Existing Conditions" the sub-title of "A Study of Effort and Satisfaction." Similarly, Part II, on "Income as Determined by Heredity," is described as "A Study of Discontent and Its Remedy." This part is a study in social psychology rather than in economics. The lack of adjustment between the race characteristics acquired in earlier environments and the conditions of the present environment furnishes the pivot of the discussion. Thus, the cause of the exploitation of one class by another is found, not in the power of the dominant class, but in the non-resistance of the exploited class, due to the survival of customs, traditions, and institutions persisting from an earlier environment in which the economic possibilities were less. Adhesive adjustment—individual adjustment to a local environment—is contrasted with cohesive adjustment, in which various altruistic forces form a social cement.

The central thought of this part of the work, however, is found in the chapter on "Income as Increased by Adjustment." The force that brings about complete adjustment is "impulse." Surplus energy manifested in impulse is the power behind progress. Desire urges men to attain the normal; impulse pushes them on toward the ideal. The criticism of this chapter must be left to the psychologists. In the last chapter of the book "Income as Modified by Economic Rights" is the subject discussed. This is a more or less didactic survey of the rights which seem to the author to have a vital and necessary relation to social progress.

The feature which especially differentiates *The Theory of Prosperity* from the author's earlier works is the emphasis placed on the power of substitution as a factor in economic progress. Wages are kept up by the laborer's power of substituting one employment for another; prices are kept down by the consumer's power of substitu-

tion; labor is free only when there is complete power of substitution.

The book may not be entirely convincing at all points, but it is suggestive and stimulating. Professor Patten has performed a service to economic science by insisting on the study of fundamental rather than surface relations, and by bringing into that study viewpoints that are distinctively new.

It is unfortunate that so broad a treatment has been condensed into a book of 237 pages. There are many points that seem to have been needlessly obscured by condensation. Professor Patten's style is more epigrammatic than in earlier works, and there is an almost total absence of the illustrative material that has clarified the work of some of the masters of economic theory. For these reasons the book is more difficult than the nature of the subject-matter would seem to make necessary.

ALLYN A. YOUNG.

CORNELL UNIVERSITY.

Lectures on the Theory of Economics. By FREDERICK CHARLES HICKS. Cincinnati: The University of Cincinnati Press, 1901. 12mo, pp. xii + 289.

THESE lectures are distributed under the three general heads, "Prolegomena," "Production," and "Distribution." The subjects treated are those usually discussed under these divisions. Successive numbers are used throughout the body of the book to indicate the paragraphs devoted to the topics bearing corresponding numbers in the table of contents. It would have been an improvement if the topics themselves had been reproduced in heavier type, as is done, for instance, in Walker's *Political Economy.* The general aspect of the book is hardly in correspondence with the dignity of its title, certainly not with the intellectual worth of its contents.

Like the average book on economic theory, the present work largely consists in a reshaping of old doctrines from definitions peculiar to the writer. An idea of its trend may therefore best be given by presenting some of the concepts from which it proceeds. Wealth is defined as "whatever possesses the power of want attraction" (p. 20), the expression, "power of want attraction," being preferred to the term "utility" on account of the popular connotations of the latter. Value is "the amount of the power of want-attraction possessed by any commodity" (p. 26). (It would be interesting to have the author's definition of commodity, though I believe it is nowhere given.) Capital consists of the mate-